
Chapter-2

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

CHAPTER 2

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year, compared with the corresponding amount of the voted grants or appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act. These accounts distinctly list the original budget estimates, supplementary grants, surrenders and re-appropriations and indicate the actual Capital and Revenue Expenditure on various specified services. The Appropriation Accounts, thus, facilitate the management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

2.1.2 Audit of Appropriations seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given in the Appropriation Act and if the expenditure is required to be charged under the provisions of the Constitution, it is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules and regulations and instructions.

2.2 Mechanism for Budget Management

As per Rule 52 of Bihar Budget Manual (as adopted by Jharkhand State), the Budget Estimates of the State are to be prepared in the form prescribed by the Finance Department. According to Rule 79 of the Budget Manual, the estimates under each Major Head prepared by the Controlling Officers of different departments are to be examined by the Finance Department and compiled for presentation of the first edition budget to the Government. As per Rule 112 of the Budget Manual of the State, all anticipated savings should be surrendered to the Government immediately when they are foreseen unless they are required to meet excesses over grant under some other units. No savings should be held in reserve for possible future excesses. Rules regarding control over expenditure are embodied in the Jharkhand Financial Rules. Further, as per Rule 117 of Budget Manual in order to meet new specific items of expenditure or to cover probable excesses in the voted grant, supplementary grants should be obtained in consultation with the Finance Department.

We observed large savings in several grants during 2015-16, indicating deficiencies in budget management as discussed in the succeeding paragraphs.

2.3 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2015-16 against 60 grants/appropriations is as given in **Table 2.1**.

Table 2.1: Summarised position of actual expenditure vis-à-vis Original/Supplementary Grants for the year 2015-16

(₹ in crore)

	Nature of expenditure	Original/ grant/ appropriation	Supplementary grant/ appropriation	Total	*Actual expenditure	Saving (-)/ Excess (+)	Amount Surrendered	Amount Surrendered only on 31 st March 2016	Percentage of savings surrendered by 31 March (Col 7/Col 6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Voted	I Revenue	39823.91	7980.47	47804.38	33678.42	(-14125.96)	12876.11	11204.18	91.15
	II Capital	8675.58	2155.81	10831.39	8158.51	(-2672.88)	2998.80	2488.38	112.19
	III Loans and Advances and Inter State Settlement	1215.60	6813.00	8028.60	7480.00	(-548.60)	0.00	0.00	0.00
Total Voted		49715.09	16949.28	66664.37	49316.93	(-17347.44)	15874.91	13692.56	91.51
Charged	IV Revenue	3519.33	16.41	3535.74	3386.41	(-149.33)	175.13	175.13	117.28
	V Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	VI Public Debt- Repayment	2258.53	15.50	2274.03	2245.94	(-28.09)	87.26	87.26	310.64
Total Charged		5777.86	31.91	5809.77	5632.35	(-177.42)	262.39	262.39	147.89
Grand Total		55492.95	16981.19	72474.14	54949.28	(-17524.86)	16137.30	13954.95	92.08

Source: Appropriation Accounts of the Government of Jharkhand 2015-16

* The expenditure figures are gross without taking into account the recoveries adjusted in the accounts as reduction of revenue voted expenditure (₹ 512.01 crore).

Note: Expenditure in respective heads was inaccurately stated to the extent of ₹ 1,079 crore drawn through AC bills during 2015-16 against which DC bills were not submitted as on 12 July 2016.

During 2015-16, the overall savings of ₹ 17,524.86 crore was the result of savings comprising ₹ 14,275.29 crore in 55 voted grants and five appropriations under the Revenue Section and ₹ 3,249.57 crore in 35 grants and one appropriation under the Capital Section. Out of the total savings of ₹ 17,524.86 crore (24.18 per cent of the total appropriation), an amount of ₹ 16,137.30 crore (92.08 per cent) was surrendered during the year of which ₹ 13,954.95 crore (86.48 per cent) was surrendered on 31 March 2016.

The head-wise expenditure status was provided by the Principal Accountant General (A&E), Jharkhand monthly to the State Government through Monthly Civil Accounts Statement and Monthly Appropriation Accounts. In spite of this, appropriate steps were not taken by the Government Departments to deliver the services and avoid large savings and excess expenditure in the grants. Out of 1,498 sub-heads captured in Appropriation Accounts of Government of Jharkhand 2015-16, reasons for savings in 1,002 sub-heads and reasons for excesses in 40 sub-heads were not furnished by the departments.

2.4 Financial Accountability and Budget Management

2.4.1 Appropriations vis-à-vis Allocative Priorities

Against the total savings of ₹ 17,524.86 crore, savings of ₹ 14,600.87 crore (83 per cent) occurred in 23 cases relating to 19 grants as indicated in Table 2.2. In these cases, savings exceeded ₹ 100 crore and was 20 per cent or more of the grant.

Table 2.2: List of Grants with savings of ₹ 100 crore and above and 20 per cent or more of the grant

(₹ in crore)

Sl. No.	Number and name of the Grant/Appropriation	Total Grant	Actual expenditure	Savings	Percentage of Savings to Total Grant
Revenue-Voted					
1	59-School Education and Literacy Department (Primary and Adult Education Division)	6480.13	4471.64	2008.48	30.99
2	56-Rural Development Department (Panchayati Raj Division)	2329.32	822.96	1506.36	64.67
3	42-Rural Development Department (Rural Development Division)	3757.32	2476.21	1281.11	34.10
4	60-Women, Child Development and Social Security Department	2975.50	1868.37	1107.13	37.21
5	26-Labour, Employment and Skill Development Department	1492.13	403.84	1088.29	72.94
6	20-Health, Medical Education and Family Welfare Department	2765.90	1818.63	947.27	34.25
7	48-Urban Development and Housing Department (Urban Development Division)	2444.57	1556.13	888.44	36.34
8	1-Agriculture, Animal Husbandry and Co-operative Department (Agriculture Division)	1344.75	594.28	750.47	55.81
9	35-Planning-cum-Finance Department (Planning Division)	1146.58	455.44	691.14	60.28
10	36-Drinking Water and Sanitation Department	1352.58	799.01	553.57	40.93
11	18-Food, Public Distribution and Consumer Affairs Department	1284.43	778.80	505.63	39.37
12	58-School Education and Literacy Department (Secondary Education Division)	1435.84	1052.63	383.22	26.69
13	21-Higher and Technical Education Department (Higher Education Division)	1059.99	776.29	283.70	26.76
14	23-Industries Department	433.83	301.36	132.47	30.54
15	40-Revenue, Land Reforms and Registration Department (Revenue and Land Reforms Division)	436.94	324.53	112.41	25.73
16	49-Water Resources Department	362.76	257.65	105.11	28.98
Capital-Voted					
17	49-Water Resources Department	1653.99	1109.37	544.62	32.93
18	55-Rural Development Department (Rural Works Division)	2063.40	1524.42	538.98	26.12
19	50-Water Resources Department (Minor Irrigation Division)	567.96	47.57	520.39	91.62
20	20-Health, Medical Education and Family Welfare Department	537.95	339.87	198.08	36.82
21	60-Women, Child Development and Social Security Department	254.00	88.80	165.20	65.04
22	22-Home, Jail and Disaster Management Department (Home Division)	374.59	210.81	163.78	43.72
23	36-Drinking Water and Sanitation Department	318.09	193.07	125.02	39.30
Total		36872.55	22271.37	14600.87	39.60

Source: Appropriation Accounts of Government of Jharkhand

Further, audit revealed that in 44 cases (33 grants/appropriations), savings exceeded ₹ 10 crore and was 20 per cent or more of the grant in each case as detailed in **Appendix 2.1** with the total savings aggregating to ₹ 15,281.30 crore. Further, in 174 sub-head/schemes under 28 grants/appropriations, savings exceeded ₹ 20 crore in each case and aggregated to ₹ 12,732.17 crore

(73 per cent of total savings). Details of sub-heads/schemes wise savings along with reasons for savings exhibited in the Appropriation Accounts 2015-16 are given in **Appendix 2.2**. Large savings may adversely affect implementation of the development programmes in the State.

2.4.2 Anticipated savings not surrendered

As per Rule 112 of the Budget Manual, spending departments are required to surrender grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated.

Out of total savings of ₹ 17,524.86 crore during 2015-16, a sum of ₹ 1,536.90 crore (₹ one crore and above in each under 25 grant/appropriation) were not surrendered, details of which are given in **Appendix 2.3**. Further, it was observed that in 14 cases, excess surrender of ₹ 152.83 crore against savings was made during the year.

Out of total surrender of ₹ 16,137.30 crore during the year, ₹ 13,954.95 crore (86.48 per cent) was surrendered on 31st March 2016 leaving no scope for utilisation of these funds for other developmental purposes. List of 124 cases (₹ 10 crore or more in each case) amounting to ₹ 5,632.48 crore surrendered on 31st March 2016 is given in **Appendix 2.4**. This indicated poor financial control.

2.4.3 Persistent savings

In 12 cases (11 departments), there were persistent savings of 10 per cent or more of the total grants, during the last five years (**Table 2.3**).

Table 2.3: List of Grants indicating Persistent Savings during 2011-16

(₹ in crore)

Sl. No.	Number and name of the Grant	Amount of savings				
		2011-12	2012-13	2013-14	2014-15	2015-16
Revenue-Voted						
1	26-Labour, Employment and Skill Development Department	193.07 (23)	232.43 (25)	308.12(30)	349.95(28)	1088.29(73)
2	20-Health, Medical Education & Family Welfare Department	277.93(25)	326.13(53)	171.13(15)	967.84(42)	947.27(34)
3	1-Agriculture, Animal Husbandry and Co-operative Department (Agriculture Division)	228.82(35)	264.25(37)	566.53(58)	552.00(58)	750.47(56)
4	35-Planning-cum-Finance Department (Planning Division)	291.78 (58)	594.38 (88)	533.61(83)	99.14(27)	691.14(60)
5	18-Food, Public Distribution and Consumer Affairs Department	168.00 (15)	307.90 (28)	570.55(50)	439.49(34)	505.63(39)
6	23-Industries Department	157.41(45)	82.94(29)	120.80(41)	148.57(40)	132.47(31)
7	40-Revenue, Land Reforms and Registration Department (Revenue and Land Reforms Division)	79.15 (24)	77.17 (23)	125.67(32)	99.80(26)	112.41(26)
8	49-Water Resources Department	83.77(27)	92.55(29)	85.14(26)	87.83(25)	105.11(29)
9	2-Agriculture, Animal Husbandry and Co-operative Department (Animal Husbandry Division)	31.52(23)	35.50(22)	35.53(22)	41.73(25)	37.66(20)
10	43-Higher and Technical Education Department (Science and Technology Division)	40.29(42)	37.03(40)	18.45(25)	21.31(15)	24.90(24)
11	17-Commercial Tax Department	11.24 (18)	27.17 (38)	8.18(13)	23.36(32)	18.45(27)
Capital-Voted						
12	49-Water Resources Department	714.70(78)	1232.85(74)	1130.96(68)	1196.28(68)	544.62(33)

Figures in bracket indicate percentage of savings to total budget under the grant

It may be seen from the above table that large savings continued over the years indicating improper estimation under the Grants. Further, details of savings in some major schemes under four Departments performing Social and Economic Services are discussed below:

Grant No. 42 - Rural Development Department (Rural Development Division)

Significant savings were noticed in 'Swarnajayanti Gram Swarojgar Yojna Scheme' and 'Indira Awas Yojna Scheme' during 2013-14 to 2015-16. Details are given in the table below:

(₹ in crore)

Sl. No.	Name of Scheme/Head	2013-14		2014-15		2015-16	
		Budget	Savings	Budget	Savings	Budget	Savings
1	Swarnajayanti Gram Swarojgar Yojna Scheme for General	81.95	49.87 (61)	465.59	394.25 (85)	400.00	227.80 (57)
2	Indira Awas Yojna Scheme for General	165.00	55.53 (34)	720.00	432.24 (60)	757.00	110.81 (15)

Source: Detailed Appropriation Accounts 2013-14, 2014-15 and 2015-16

Figures in bracket represent percentage of savings to total budget under the head of accounts.

During the last three years, no reasons for savings under the above schemes were furnished by the department.

Grant No. 56 - Rural Development Department (Panchayati Raj Division)

Significant savings were noticed in 'Backward Region Grants Fund', 'Left Wing Extremism (LWE) affected Districts' and 'Rajiv Gandhi Panchayat Sashaktikaran Abhiyan' during 2013-14 to 2015-16. Details are given in the table below:

(₹ in crore)

Sl. No.	Name of Scheme/Head	2013-14		2014-15		2015-16	
		Budget	Savings	Budget	Savings	Budget	Savings
1	Left Wing Extremism (LWE) affected Districts (Additional Central Assistance)	510.00	340.00 (67)	524.19	170.00 (32)	510.00	510.00 (100)
2	Backward Region Grants Fund (Additional Central Assistance)	425.40	352.83 (83)	450.00	168.25 (37)	469.00	469.00 (100)
3	Rajiv Gandhi Panchayat Sashaktikaran Abhiyan	5.49	0.00 (0)	63.40	63.40 (100)	132.34	110.73 (84)

Source: Detailed Appropriation Accounts 2013-14, 2014-15 and 2015-16

Figures in bracket represent percentage of savings to total budget under the head of accounts.

During the last three years, no reasons for savings under the above schemes were furnished by the department.

Grant No. 59 - School Education and Literacy Department (Primary and Adult Education Division)

Significant savings were noticed in 'Government Primary and Middle School', 'Grants-in-aid to Sarva Siksha Abhiyan', 'Construction of Store-cum-Kitchen Shade' and 'Amount for price of food grains for Mid-Day Meal Programme' during 2013-14 to 2015-16. Details are given in the table below:

(₹ in crore)

Sl. No.	Name of Scheme/Head	2013-14		2014-15		2015-16	
		Budget	Savings	Budget	Savings	Budget	Savings
1	Grants-in-aid to Sarva Siksha Abhiyan	515.00	272.95 (53)	1708.57	384.32 (22)	1997.02	961.21 (48)
2	Government Primary and Middle School	2413.21	732.92 (30)	2856.17	1126.88 (39)	2310.64	391.70 (17)
3	Construction of Store-cum-Kitchen shade	48.00	48.00 (100)	48.00	36.00 (75)	43.80	43.80 (100)
4	Amount for price of food grains for Mid-Day Meal Programme	74.70	44.85 (60)	44.00	25.38 (58)	40.70	12.78 (31)

Source: Detailed Appropriation Accounts 2013-14, 2014-15 and 2015-16

Figures in bracket represent percentage of savings to total budget under the head of accounts.

During the last three years, no reasons for savings in almost cases under the above schemes were furnished by the department.

Grant No. 60 - Women, Child Development and Social Security Department

Significant savings were noticed in 'Integrated Child Development Scheme', 'Rajiv Gandhi Scheme for Empowerment of Adolescent Girls', 'Integrated Child Protection Scheme' and 'Skill Development Programme for Women and Adolescent Girls' during 2013-14 to 2015-16. Details are given in the table below:

(₹ in crore)

Sl. No.	Name of Scheme/Head	2013-14		2014-15		2015-16	
		Budget	Savings	Budget	Savings	Budget	Savings
1	Integrated Child Development Scheme	450.00	153.50 (34)	495.00	233.81 (47)	589.36	299.97 (51)
2	Rajiv Gandhi Scheme for Empowerment of Adolescent Girls	57.54	32.40 (56)	57.93	55.38 (96)	66.04	45.32 (69)
3	Integrated Child Protection Scheme (I.C.P.S.)	24.00	24.00 (100)	24.00	21.62 (90)	27.60	21.24 (77)
4	Skill Development Programme for Women and Adolescent Girls	3.00	3.00 (100)	2.00	1.00 (50)	10.00	10.00 (100)

Source: Detailed Appropriation Accounts 2013-14, 2014-15 and 2015-16

Figures in bracket represent percentage of savings to total budget under the head of accounts.

During the last three years, no reasons for savings under the above schemes were furnished by the department.

2.4.4 Avoidable/excessive Supplementary Provision

Supplementary provisions aggregating ₹ 4,660.31 crore (27 per cent) obtained in 45 cases (₹ one crore or more in each case) during the year out of a total authorisation of ₹ 16,981.19 crore proved unnecessary as the expenditure did not come up even to the level of the original provisions as detailed in **Appendix 2.5**. In all these cases, it was noticed that the original allotment provided under some sub-heads were not exhausted and huge savings occurred under these sub-heads.

2.4.5 Advances from Contingency Fund

The Contingency Fund of the State was established under Section 4 of Jharkhand Contingency Fund Act 2001 in terms of the provisions of Article 267 (2) and 283 (2) of the Constitution of India. Advances from the Fund are to be given only for meeting expenditure of unforeseen and emergent

character, postponement of which, till authorisation by the Legislature, would be undesirable. The corpus of the fund in the State was increased to ₹ 500 crore during 2015-16.

Review of relevant records revealed that during 2015-16, ₹ 164.52 crore was withdrawn on 49 occasions from Contingency Fund which were neither unforeseen nor of emergent nature. These expenditures should have been postponed till authorisation by the Legislature of the State. Details of some cases are given in the **Table 2.4**.

Table 2.4: Expenditure from Contingency Fund of the State

Sl. No.	Head of account	Detail of work	Amount of Advance (₹ in lakh)
1.	2852-80-796-65	Subsidy for encouraging Capital Investment against payment of Commercial Taxes	4141.51
2.	2217-01-190-01	Capital Assets	3600.00
3.	2055-00-109-90	Office expenses, Repairing and Fuel to Motor Vehicles, etc.	2023.34
4.	2055-00-001-02	Other expenditure on Law & Order	1372.86
5.	2070-00-114-01	Administrative expenditure, Rent and Taxes	1000.00
6.	2070-00-107-06	Commercial Services	1000.00
7.	2055-00-109-97	Pay & Allowance and Awards	600.00
8.	2014-00-114-04	Office expenses and Machinery & Equipment	500.00
9.	2013-00-101-01	Purchase of New Motor Vehicles	315.00
10.	5465-02-190-01	Share Capital of Building Construction Corporation	200.00
11.	2055-00-109-70	Office expenses, Repairing and Fuel to Motor Vehicles, etc.	156.69
12.	3054-03-337-02	Payment on work-charged/Muster Roll	130.00
13.	2230-01-102-02	Compensation Allowance	100.00
14.	2011-02-101-10	Pay of private staffs of Hon'ble Members of Legislative Assembly	60.00
15.	2220-60-001-02	Pay & Allowance and Commercial Services	59.00
16.	2251-00-090-07	Purchase of New Motor Vehicles	15.90
Total			15274.30

Source: Information compiled by office of the Principal Accountant General (A&E) Jharkhand

However, the total withdrawal from the fund during 2015-16 was recouped during the year.

2.4.6 Excess over provisions in previous years requiring regularisation

Excess expenditure over provisions, amounting to ₹ 2,739.12 crore for the years 2001-02 to 2014-15 was yet to be regularised (September 2016) under

Article 205 of the Constitution as detailed in **Appendix 2.6**. The year-wise amount of excess expenditure pending regularisation is summarised in **Table 2.5**. Non-regularisation of the excess over grants/appropriations over the years is a breach of legislative control over appropriations.

Table 2.5: Excess relating to previous years requiring regularisation

(₹ in crore)

Year	Number of the		Amount of excess over provision
	Grant	Appropriation	
2001-02	25, 32		0.04
2002-03	32		0.08
2003-04	46		0.29
2004-05	40		@
2006-07	38		\$
2010-11	32		0.10
2011-12	15,25	14	420.16
2012-13	7, 15, 42	14	1263.18
2013-14	15	13, 14	694.05
2014-15	42	13	361.21
Total			2739.12

Source: Appropriation Accounts of Government of Jharkhand

@ excess amount was ₹ 1,072 only

\$ excess amount was ₹ 81,665 only

2.4.7 Excessive/Insufficient re-appropriation of funds

Re-appropriation is the transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation under six sub-heads during 2015-16 as detailed in **Appendix 2.7** proved excessive or insufficient. Under four schemes/sub-heads, additional funds of ₹ 4.02 crore were provided through re-appropriation leading to savings of ₹ 11.86 crore. Further, it was observed that ₹ 0.68 crore was re-appropriated from two schemes/sub-heads while excess expenditure of ₹ 0.47 crore under those schemes/sub-heads at the end of year.

2.4.8 Substantial surrender of funds

Substantial surrender of funds amounting to ₹ 3,066.98 crore (cases where 100 *per cent* of the provisions and more than ₹ 50.00 lakh were surrendered) was made in respect of 263 cases of non-implementation of schemes/programmes. The details are given in **Appendix 2.8**.

Substantial surrender of funds provided for schemes is indicative of non-completion of schemes and non-achievement of intended benefits from the same.

2.5 Rush of expenditure

According to Rule 113 of the Budget Manual, rush of expenditure in the closing month of the financial year should be avoided. Uniform flow of expenditure is essential to ensure that the primary requirement of budgetary control is maintained. Contrary to this, in respect of 24 heads of accounts listed in **Appendix 2.9**, expenditure (exceeding ₹ 20 crore in each case) incurred in the last quarter of the year 2015-16 was more than 50 *per cent* of the total expenditure of the year.

2.6 Departmental figures not reconciled

Though non-reconciliation of departmental figures by Controlling Officers (COs) with the books of the Principal Accountant General (A&E) was pointed out regularly in our Audit Reports, the irregularities continued to persist during 2015-16. It was noticed that against the total receipts of ₹ 53,914.06 crore during 2015-16, a total amount of ₹ 17,290.37 crore (32.07 *per cent*) was not reconciled. Similarly, out of total expenditure of ₹ 54,437.27 crore during the year 2015-16, an expenditure of ₹ 27,913.64 crore (51.28 *per cent*) was not reconciled with the books of the Principal Accountant General (A&E), Jharkhand. Un-reconciled expenditure exceeding ₹ 10 crore or more in each case aggregating to ₹ 24,378.11 crore during 2015-16 is given in **Appendix 2.10**.

Due to non-reconciliation of departmental figures with the books of the Principal Accountant General (A&E), chances of misclassification of expenditure and receipts could not be ruled out.

2.7 Compliance Audit on Budgetary Process for Grant No. 48 - Urban Development and Housing Department

2.7.1 Introduction

Urban Development and Housing (UD&H) Department provides basic services to urban areas in entire state as per the provision of Municipal Corporation/Municipality Act. Responsibilities of Urban Local Bodies (ULBs) have increased manifolds in recent past after enactment of 74th Constitutional Amendment Act. The twelfth Schedule brings into the municipal domain among others such areas like as urban and town planning, regulation of land use, planning for economic and social development, safeguarding the interests of weaker sections of society including the handicapped and mentally retarded, Slum improvement and up-gradation, urban poverty alleviation, promotion of cultural, educational and aesthetic aspects.

A review of Budgetary Process for Grant No. 48 – Urban Development and Housing Department for the year 2015-16 revealed that against the total budget provision of ₹ 2,464.50 crore (Plan – ₹ 2,038.40 crore and Non-Plan – ₹ 426.10 crore) for the year 2015-16 under Grant No. 48, the Department incurred expenditure of only ₹ 1,575.29 crore (Plan – ₹ 1,176.45 crore and Non-Plan – ₹ 398.84 crore) (63.92 *per cent*) leaving a total savings of ₹ 889.21 crore (36.08 *per cent*). Moreover, out of total savings of ₹ 889.21 crore, ₹ 876.85 crore was surrendered and balance ₹ 12.36 crore was allowed to lapse during 2015-16.

2.7.2 Budgetary position of the Department for last four years

The appropriation accounts of the Government show that there were persistent savings in the budget of Grant No. 48 relating to UD&H Department during last four years as detailed in **Table 2.6**.

Table 2.6: Budgetary position for last four years

(₹ in crore)

Year		Original	Supplementary	Total	Actual Expenditure	Savings	Percentage of savings
2012-13	Revenue	575.15	6.75	581.90	404.81	177.09	52.53
	Capital	689.92	-	689.92	198.93	490.99	
	Total	1265.07	6.75	1271.82	603.74	668.08	
2013-14	Revenue	1287.35	107.66	1395.01	493.84	901.17	64.20
	Capital	22.22	2.91	25.13	14.58	10.55	
	Total	1309.57	110.57	1420.14	508.42	911.72	
2014-15	Revenue	1837.69	353.67	2191.36	1103.04	1088.32	49.51
	Capital	20.93	-	20.93	13.99	6.94	
	Total	1858.62	353.67	2212.29	1117.03	1095.26	
2015-16	Revenue	1655.64	788.93	2444.57	1556.13	888.44	36.08
	Capital	19.93	-	19.93	19.16	0.77	
	Total	1675.57	788.93	2464.50	1575.29	889.21	

Source: Appropriation Accounts 2012-2016

It was evident from the above table that the Department prepared budget as a matter of routine ignoring the provisions of the Budget Manual. Thus, there was a tendency to disregard and frustrate the budgetary controls envisaged in the Budget Manual.

2.7.3 Organisational Set-Up

The Principal Secretary/Secretary is the head of the department. He is assisted by two Joint Secretaries, three Deputy Secretaries, one Director Municipal Administration and seven Under Secretaries. The Technical wing provide technical assistance to the Principal Secretary.

There are 39 ULBs consisting of three Municipal Corporations, 14 Nagar Parishads, 19 Nagar Panchayats and two Notified Area Committees (NACs) with one Municipality, responsible for implementation of the urban development activities in their respective areas in the state of Jharkhand. At the ULB level, the programmes are implemented by the Chief Executive Officers and Executive Officers.

Audit findings

2.7.4 Delay in submission of Budget Estimates

Rule 62 of Bihar Budget Manual as adopted by Jharkhand stipulates the budget calendar for preparation of budget. The Finance Department, Government of Jharkhand revised (October 2014) the prescribed dates for submission of general budget and preparation of Comprehensive Outlay of Budgetary Transaction (COBT) after approval of the Minister concerned upto 2 December 2014 against stipulated date of 1 October in the Budget Manual.

We noticed that the Department submitted Budget Estimates (BEs) on 20 February 2015 to the Planning and Development Department, Government of Jharkhand with a delay of 79 days against the target date of 2 December 2014.

2.7.5 Unrealistic Budget Estimate

According to Rules 65 and 133 of Budget Manual, the Controlling Officer (CO) should examine the budgets received from the Disbursing Officers to see that they are correct and all details and explanations are adequate,

supplementary demand and re-appropriation are based on actuals of the expenditure, in order that the possibility of occurrence of large excesses or savings is negligible.

We noticed in audit that the CO did not call for the Budget Estimates (BEs) from the disbursing officers. Proposal for Budget was prepared by the Department at the department level without obtaining requirements from field officers. This resulted in preparation of unrealistic budget estimates by the department, which led to savings of ₹ 889.21 crore (36.08 *per cent*) against the total budget provision of ₹ 2,464.50 crore during 2015-16 under Grant No. 48. Thus, there was a tendency to disregard and frustrate the budgetary controls envisaged in the Budget Manual.

2.7.6 Avoidable Supplementary Provision

We noticed in audit that during 2015-16, original and supplementary provisions of the Department was ₹ 1,675.57 crore (Plan - ₹ 1,606 crore and Non-Plan-₹ 69.57 crore) and ₹ 788.93 crore (Plan - ₹ 432.40 crore and Non-Plan-₹ 356.53 crore) respectively. The Department could utilise ₹ 1,575.29 crore (Plan - ₹ 1,176.45 crore and Non-Plan - ₹ 398.84 crore) during 2015-16, which was less than the original provision of ₹ 1,675.57 crore. However, the Department placed demand for supplementary provision of ₹ 788.93 crore. This could have been avoided, had the department estimated the expenditure based on requirements from field offices.

2.7.7 Surrender on the last day of the financial year

We observed in audit that out of total surrender of ₹ 876.85 crore against budget provision of ₹ 2,464.50 crore, ₹ 387.99 crore (Plan - ₹ 351.68 crore and Non-Plan - ₹ 36.31 crore) (**Appendix 2.11**) was surrendered by the Department on 31 March 2016 leaving no scope to utilise the fund on other schemes by the Government. We further observed in two out of ten test-checked ULBs that ₹ 19.10 lakh (Jugsalai ₹ 2.00 lakh and Jamshedpur ₹ 17.10 lakh) was surrendered on 31 March 2016 due to receipt of allotment on the last date of financial year.

2.7.8 Rush of expenditure

As per Rule 113 of Budget Manual, rush of expenditure particularly in the closing months of the financial year will ordinarily be regarded as a breach of financial regularity. Hence, rush of expenditure particularly in the closing month should be avoided.

We observed in audit that out of total expenditure of ₹ 1,575.29 crore in 105 sub-heads, 100 *per cent* expenditure in 24 sub-heads (₹ 400.38 crore, 25.42 *per cent* of total expenditure) and 60 to 97 *per cent* expenditure in 16 sub-heads (₹ 389.23 crore, 24.71 *per cent* of total expenditure) incurred in the month of March 2016 (**Appendix 2.12**).

2.7.9 Departmental expenditure not reconciled

Rule 130 of Budget Manual stipulates that the controlling and disbursing officers should give the necessary personal attention to the control of expenditure so that the irregularities viz. defective or inaccurate budgeting, defective control over expenditure and misclassification of expenditure should

be capable of reduction. Further, Rule 134 of Budget Manual requires that they should insist their staff to follow strictly the procedure laid down for the reconciliation of departmental accounts with Accountant General's book on monthly basis to avoid chances of misclassification of expenditure and receipts.

We observed that total expenditure ₹ 1,575.29 crore during the year 2015-16 remained un-reconciled with the Principal Accountant General's book. Thus it was evident that the controlling and disbursing officers failed to give the necessary personal attention to the control of expenditure in contravention of the Rule cited above.

2.7.10 Surrender of whole budget provision

According to Rules 65 and 133 of Budget Manual, the Controlling Officer (CO) should examine the budgets received from the Disbursing Officers to see that they are correct and all details and explanations are adequate, supplementary demand and re-appropriation are based on actuals of the expenditure, in order that the possibility of occurrence of large excesses or savings is negligible.

We observed that under Grant No. 48 in 30 sub-heads (**Appendix 2.13**) the whole budget provision of ₹ 402.30 crore was surrendered without assigning any reason which diluted the process of budget making.

2.8 Conclusion and Recommendations

Large Savings due to improper Budget estimation

- There were large savings of ₹ 17,524.86 crore (24 per cent) against total budget provision of ₹ 72,474.14 crore during 2015-16 indicating improper budget estimation. Large savings under various schemes/sub-heads may adversely affect the implementation of development programmes in the State. Persistent savings for the last five years were also noticed in 11 departments performing Social and Economic Services.

The budgetary control mechanism should be strengthened in the Government Departments to avoid huge savings, especially where savings occurred persistently and to avoid taking supplementary grants, which remain unutilised.

Advances from Contingency Fund

- Advances amounting ₹ 164.52 crore on 49 occasions were withdrawn from Contingency Fund during 2015-16 to meet expenditure which was neither unforeseen nor of emergent nature. Some purpose for which advance was drawn were 'Subsidy for increasing capital investment', 'creation of capital asset', 'office expenses', 'repairing and Fuel to Motor Vehicles' etc.

Advances from the Contingency Fund should be given only for meeting expenditure of unforeseen and emergent character.

Excess over provisions during 2001-2015 requiring regularisation

- Excess expenditure of ₹ 2,739.12 crore over provisions occurred during 2001-15 requires regularisation under Article 205 of the Constitution of India.

Regularisation of excess expenditure occurred in the previous years should be given priority.

Substantial surrender of funds

- There were 263 cases amounting to ₹ 3,066.98 crore where 100 *per cent* of the provisions and more than ₹ 50.00 lakh were surrendered.

Substantial surrender of funds provided for schemes is indicative of non-completion of schemes and non-achievement of intended benefits from the same.

Deficiencies in Budgetary Controls in Urban Development and Housing Department

- The Urban Development and Housing Department did not follow the provisions of the Budget Manual leading to lack of budgetary control in the Department resulting in large savings, rush of expenditure during fag end of the financial year, non-reconciliation of accounts with Principal Accountant General's book.

The Urban Development and Housing Department should adhere to the provisions of the Budget Manual to prepare its budget estimation more realistic.

